



Fiscal Year 2009 was a year of change. On January 20, 2009, President Obama was sworn into office and Ken Salazar was confirmed and sworn in as the 50th Secretary of the Interior. The new Secretary was welcomed by a large crowd of employees at the Main Interior Building on January 21, 2009. The Secretary promised to bring positive change and to lead the Department with openness in decisionmaking, high ethical standards, and respect for scientific integrity.

Actions are well underway to ensure transparency and accountability throughout the Department with the release of clear guidance in Secretarial Orders on Climate Change Response and creation of a Youth in Natural Resources Office. The Secretary has made decisions resulting in demonstrable actions to improve programs and services to the American public. Examples include opening the crown of the Statue of Liberty to the public, acquiring from willing sellers and avoiding condemnations for development

of the Flight 93 National Memorial, and holding public listening sessions and extending the public comment period on the 2010-2015 five year program for the Outer Continental Shelf.

There are changes in the Department's approach to financial accountability as well. Beginning with the FY 2009 report, Interior will present an Agency Financial Report (AFR) and a separate Annual Performance Report (APR). These reports had previously been combined and published in November. In addition to the audited financial statements, the AFR will present the results of the annual assessment of program leadership and stewardship of the resources and public funds entrusted to Interior and provide a comprehensive snapshot of the most important financial information related to the programs managed by Interior. Performance information will be included; however, a more comprehensive report on performance will be issued in an APR that will be released at the same time as the budget.

The Department has worked closely with the eight major bureaus and multiple offices, the Office of Inspector General, and its independent auditor to provide an assessment of the financial status of Interior.

For the 13th consecutive year, Interior received an unqualified ("clean") opinion on the Department's consolidated financial statements from the auditors. This is the best possible audit result and affirms management's commitment to financial reporting excellence. Along with this opinion, Interior had other noteworthy accomplishments in FY 2009, including:

- ▶ Interior received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting. This marks the 8th consecutive year that Interior has been recognized for quality reporting.
- ▶ Interior continued implementation of the Department's Financial and Business Management System, which is now the financial system of record for three bureaus. Additionally, two bureaus have converted acquisition functions to the new system. The Department overcame numerous challenges in this major deployment to the first bureau operating on the Federal Financial System, and a bureau with significant numbers of users, a decentralized organization, and complex accounts.
- ▶ Interior continued to improve collaboration throughout the finance, budget, and performance communities. The Chief Financial Officers Council, the Financial Officers Partnership, the Bureau Budget Officers and Planning and Management Council, and other forums continued to provide leadership.
- ▶ Interior continues to address the management challenges issued by the Office of the Inspector General. Improvements have occurred in each of the seven areas identified and efforts will continue in these areas.

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

- ▶ Interior exceeded the annual performance goal of implementing 85 percent of GAO and OIG audit recommendations scheduled for completion in the current fiscal year. In addition, Interior began a more comprehensive program of oversight of the development of recommendations and follow-up.
- ▶ Interior documented and tested the internal controls over financial reporting and issued a statement of assurance related to the effectiveness of the reviews. As the internal control programs mature, the Department is increasingly able to improve its assessment of risk.
- ▶ Interior continued to improve the Intragovernmental Reconciliation process to ensure accurate reporting of business activity with other Federal trading partners. This is an integral element of the Combined Financial Report of the United States.
- ▶ Interior implemented two new Statements of Federal Financial Accounting Standards — Standard 30, Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts, and Standard 31, Accounting for Fiduciary Activities.
- ▶ Interior consolidated the submission of financial information in FY 2009. All eight bureaus are now part of the consolidated approach. The Department will issue two audits – the consolidated audit and the audit for Departmental Offices.
- ▶ Interior improved handling and processing of Unfilled Customer Orders, Undelivered Orders, Reimbursable Agreements, and other financial and administrative functions as a result of recommendations made by the Office of Inspector General and our independent auditor, KPMG LLP.

These improvements pave the way for Interior to fulfill the Secretary's commitments for transparency and accountability. This Agency Financial Report provides timely information that the American public can use to better understand Interior's programs and to follow our progress in advancing Interior's mission goals.



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